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(Original Signature of Member)

112TH CONGRESS
1ST SESSION

H. R. _____

To reform Social Security by establishing a Personal Social Security Savings Program.

Mr. McCOTTER introduced the following bill; which was referred to the
Committee on _____

A BILL

To reform Social Security by establishing a Personal Social Security Savings Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Save Social Security Act”.

6 (b) TABLE OF CONTENTS.—The table of contents is
7 as follows:

Sec. 1. Short title and table of contents.

Sec. 2. Establishment of Personal Social Security Savings Program.

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

“Sec. 251. Definitions.

“Sec. 252. Personal Social Security Savings Fund.

“Sec. 253. Participation in program and establishment of personal social security savings accounts.

“Sec. 254. Contributions to the Savings Fund.

“Sec. 255. Tier I Investment Fund.

“Sec. 256. Tier II Investment Options.

“Sec. 257. Personal social security savings annuity and other distributions.

“Sec. 258. Guarantee of promised social security benefits.

“Sec. 259. Personal Social Security Savings Board.

“Sec. 260. Executive Director.

Sec. 3. Monthly insurance benefits in connection with participants in the Personal Social Security Savings Program.

Sec. 4. Tax treatment of accounts.

Sec. 5. Reimbursement of Spending Reduction Account from savings resulting from Personal Social Security Savings Program.

Sec. 6. Funding of Personal Social Security Savings Program from Credits for Reductions in Federal Spending.

Sec. 7. Interim financing of the Social Security Trust Funds.

1 SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY
2 SAVINGS PROGRAM.

3 Title II of the Social Security Act is amended—

4 (1) by inserting before section 201 the fol-
5 lowing:

6 **“PART A—INSURANCE BENEFITS”; and**

7 (2) by adding at the end the following new part:

8 “PART B—PERSONAL SOCIAL SECURITY SAVINGS
9 PROGRAM

10 “SEC. 251. DEFINITIONS.

11 “For purposes of this part—

12 “(1) **QUALIFYING INDIVIDUAL.**—The term
13 ‘qualifying individual’ means any individual—

14 “(A) who is born on or after January 1,
15 1961, and

1 “(B)(i) who receives wages in any calendar
2 year after December 31, 2010, on which there
3 is imposed a tax under section 3101(a) of the
4 Internal Revenue Code of 1986, or

5 “(ii) who derives self-employment income
6 for a taxable year beginning after December 31,
7 2010, on which there is imposed a tax under
8 section 1401(a) of such Code.

9 “(2) PARTICIPANT.—The term ‘participant’
10 means a qualifying individual who has elected under
11 section 253(a) to participate in the program estab-
12 lished under this part.

13 “(3) BOARD.—The term ‘Board’ means the
14 Personal Social Security Savings Board established
15 under section 259.

16 “(4) EXECUTIVE DIRECTOR.—The term ‘Execu-
17 tive Director’ means the Executive Director ap-
18 pointed under section 260.

19 “(5) PERSONAL SOCIAL SECURITY SAVINGS AC-
20 COUNT.—The term ‘personal social security savings
21 account’ means an account established under section
22 253(b).

23 “(6) PERSONAL SOCIAL SECURITY SAVINGS AN-
24 NUITY.—The term ‘personal social security savings

1 annuity’ means an annuity offered by the Annuity
2 Issuance Authority under section 257.

3 “(7) SAVINGS FUND.—The term ‘Savings Fund’
4 means the Personal Social Security Savings Fund
5 established under section 252.

6 “(8) TIER I INVESTMENT FUND.—The term
7 ‘Tier I Investment Fund’ means the fund created
8 under section 255.

9 “(9) TIER II INVESTMENT OPTION.—The term
10 ‘Tier II Investment Option’ means an investment
11 option which is—

12 “(A) offered by an eligible entity certified
13 by the Board under section 256(b); and

14 “(B) approved by the Board under section
15 256(d).

16 **“SEC. 252. PERSONAL SOCIAL SECURITY SAVINGS FUND.**

17 “(a) ESTABLISHMENT OF SAVINGS FUND.—

18 “(1) ESTABLISHMENT.—There is established in
19 the Treasury of the United States a trust fund to
20 be known as the ‘Personal Social Security Savings
21 Fund’.

22 “(2) AMOUNTS IN FUND.—The Savings Fund
23 shall consist of—

24 “(A) all amounts contributed to the Sav-
25 ings Fund under section 254, increased by the

1 total net earnings from investments of sums in
2 the Savings Fund attributable to such contrib-
3 uted amounts, and reduced by the total net
4 losses from investments of such sums, and

5 “(B) the reserves held in the Annuity Re-
6 serves Account established under section
7 257(b)(3), increased by the total net earnings
8 from investments of such reserves, and reduced
9 by the total net losses from investments of such
10 reserves.

11 “(3) TRUSTEES.—The Board shall serve as
12 trustees of the Savings Fund.

13 “(4) BUDGET AUTHORITY; APPROPRIATION.—
14 This part constitutes budget authority in advance of
15 appropriations Acts and represents the obligation of
16 the Board to provide for the payment of amounts
17 provided under this part. The amounts held in the
18 Savings Fund are appropriated and shall remain
19 available without fiscal year limitation.

20 “(b) AVAILABILITY.—The sums in the Savings Fund
21 are appropriated and shall remain available without fiscal
22 year limitation—

23 “(1) to invest funds in the Tier I Investment
24 Fund of the Savings Fund under section 255;

1 “(2) to transfer funds in the Tier I Investment
2 Fund into Tier II Investment Options under section
3 256;

4 “(3) to make distributions in accordance with
5 section 257; and

6 “(4) to pay the administrative expenses of the
7 Board in accordance with subsection (d).

8 “(c) LIMITATIONS ON USE OF FUNDS.—

9 “(1) IN GENERAL.—Sums in the Savings Fund
10 credited to a participant’s personal social security
11 savings account under section 255(a)(1)(3) may not
12 be used for, or diverted to, purposes other than for
13 the exclusive benefit of the participant or the partici-
14 pant’s beneficiaries under this part.

15 “(2) ASSIGNMENTS.—Sums in the Savings
16 Fund may not be assigned or alienated and are not
17 subject to execution, levy, attachment, garnishment,
18 or other legal process.

19 “(d) PAYMENT OF ADMINISTRATIVE EXPENSES.—
20 Administrative expenses incurred to carry out this part
21 shall be paid out of net earnings in the Savings Fund in
22 conjunction with the allocation of investment earnings and
23 losses under section 253(d).

24 “(e) LIMITATION.—The sums in the Savings Fund
25 shall not be appropriated for any purpose other than the

1 purposes specified in this part and may not be used for
2 any other purpose.

3 **“SEC. 253. PARTICIPATION IN PROGRAM AND ESTABLISH-**
4 **MENT OF PERSONAL SOCIAL SECURITY SAV-**
5 **INGS ACCOUNTS.**

6 “(a) PARTICIPATION.—A qualifying individual may,
7 at any time on or after January 1, 2012, elect, in such
8 form and manner as shall be prescribed by the Board, to
9 be a participant in the program established under this
10 part. The Board shall certify to the Executive Director
11 that the qualifying individual is a participant in the pro-
12 gram. An election under this subsection shall be irrev-
13 ocable.

14 “(b) ESTABLISHMENT OF PUBLICLY ADMINISTERED
15 SYSTEM OF PERSONAL SECURITY SAVINGS ACCOUNTS.—
16 Upon receipt of the certification that a qualifying indi-
17 vidual is a participant in the program established under
18 this part, the Executive Director shall establish a personal
19 social security savings account for such participant. Such
20 account shall be the means by which amounts contributed
21 to the Savings Fund under section 254 and held in the
22 Tier I Investment Fund of the Savings Fund under sec-
23 tion 255 or under Tier II Investment Options under sec-
24 tion 256 are credited to the participant, under procedures
25 which shall be established by the Board by regulation.

1 Each account of a participant shall be identified to the
2 participant by means of the participant's social security
3 account number.

4 “(c) ACCOUNT BALANCE.—The balance in a partici-
5 pant's account at any time is the sum of—

6 “(1) the excess of—

7 “(A) all deposits in the Tier I Investment
8 Fund of the Savings Fund credited to such par-
9 ticipant's personal social security savings ac-
10 count, subject to such increases and reductions
11 as may result from allocations made to and re-
12 ductions made in the account pursuant to sub-
13 section (d); over

14 “(B) amounts paid out of the Tier I In-
15 vestment Fund in connection with amounts
16 credited to such participant's personal social se-
17 curity savings account; plus

18 “(2) the excess of—

19 “(A) the deposits in the Tier II Investment
20 Options credited to such participant's personal
21 social security savings account, subject to such
22 increases and reductions as may result from
23 amounts credited to, and reductions made in,
24 the account pursuant to subsection (d)(2); over

1 “(B) amounts paid out of the Tier II In-
2 vestment Options of such participant.

3 The calculation made under paragraph (2) shall be made
4 separately for each Tier II Investment Option of the par-
5 ticipant.

6 “(d) ALLOCATION OF EARNINGS AND LOSSES.—Pur-
7 suant to regulations which shall be prescribed by the
8 Board, the Executive Director shall allocate to each per-
9 sonal social security savings account an amount equal to
10 the net earnings and net losses from each investment of
11 sums—

12 “(1) in the Tier I Investment Fund which are
13 attributable to sums credited to such account re-
14 duced by an appropriate share of the administrative
15 expenses paid out of the net earnings, as determined
16 by the Executive Director; and

17 “(2) in the Tier II Investment Options which
18 are attributable to sums credited to such account re-
19 duced by the administrative expenses paid out of the
20 net earnings.

21 **“SEC. 254. CONTRIBUTIONS TO THE SAVINGS FUND.**

22 “(a) FORM AND MANNER OF CONTRIBUTIONS.—

23 “(1) DETERMINATION AND CERTIFICATION OF
24 CONTRIBUTION AMOUNTS.—In the case of each
25 qualifying individual who becomes a participant pur-

1 suant to an election made under section 253, the
2 Executive Director shall—

3 “(A) prior to the first calendar quarter be-
4 ginning after the effective date of the election,
5 determine the contribution amount with respect
6 to the participant under subsection (b) for the
7 calendar year in which such quarter occurs and
8 certify such amount to the Secretary of the
9 Treasury, and

10 “(B) prior to each calendar year com-
11 mencing after the effective date of the election,
12 determine the contribution amount with respect
13 to the participant under subsection (b) for such
14 calendar year and certify such amount to the
15 Secretary of the Treasury.

16 “(2) TRANSFER OF CONTRIBUTION AMOUNTS
17 TO SAVINGS FUND.—Upon receipt of a certification
18 of a contribution amount for any calendar year
19 under paragraph (1), the Secretary of the Treasury
20 shall, before the end of each calendar quarter begin-
21 ning during such calendar year and after the date
22 of such certification, transfer 25 percent of such
23 amount from amounts in the general fund of the
24 Treasury (subject to section 6 of the Personal Social

1 Security Savings Guarantee and Prosperity Act of
2 2011).

3 “(b) AMOUNT OF CONTRIBUTION.—

4 “(1) IN GENERAL.—The contribution amount
5 for any calendar year under subsection (a) with re-
6 spect to a participant shall be equal to the sum of—

7 “(A) the product derived by multiplying—

8 “(i) the sum of the total wages paid
9 to, and self-employment income derived by,
10 the participant which are creditable by the
11 Commissioner of Social Security to the
12 preceding calendar year, to the extent such
13 total wages and self-employment income do
14 not exceed the base amount for such pre-
15 ceding calendar year, by

16 “(ii) 5 percent, and

17 “(B) the product derived by multiplying—

18 “(i) the sum of the total wages paid
19 to, and self-employment income derived by,
20 the participant which are creditable by the
21 Commissioner to such preceding calendar
22 year, to the extent such total wages and
23 self-employment income exceed the base
24 amount for such preceding calendar year
25 but do not exceed the contribution and

1 benefit base (determined under section
2 230) for such preceding calendar year , by
3 “(ii) 2.5 percent.

4 “(2) BASE AMOUNT.—For purposes of para-
5 graph (1)—

6 “(A) INITIAL BASE AMOUNT.—The base
7 amount for calendar years 2011 and 2012 is
8 \$10,000.

9 “(B) ADJUSTMENTS TO BASE AMOUNT.—
10 The base amount for any calendar year after
11 2012 is the product derived by multiplying
12 \$10,000 by a fraction—

13 “(i) the numerator of which is the na-
14 tional average wage index (as defined in
15 section 209(k)) for the first of the 2 pre-
16 ceding calendar years, and

17 “(ii) the denominator of which is the
18 national average wage index (as so de-
19 fined) for 2010,

20 except that any such product that is not a mul-
21 tiple of \$10.00 shall be rounded to the next
22 lower multiple of \$10.00.

23 “(3) DETERMINATION AND TREATMENT OF EX-
24 CESS CONTRIBUTIONS.—The amount of contribu-
25 tions for a participant for a calendar year shall be

1 determined on the basis of estimates, made by the
2 Commissioner of Social Security and certified to the
3 Executive Director, of the wages paid to, and self-
4 employment income derived by, the participant for
5 the preceding calendar year. Proper adjustments
6 shall be made in the maximum amount for subse-
7 quent calendar years to the extent prior estimates
8 were in excess of or were less than actual amounts,
9 except that the Executive Director may, as deter-
10 mined appropriate by the Executive Director, pro-
11 vide for refunds to the Treasury of amounts contrib-
12 uted in excess of the maximum amount in lieu of
13 such adjustments. Estimates and adjustments made
14 pursuant to this paragraph shall be communicated
15 by the Executive Director to the Secretary of the
16 Treasury in such timely manner as to allow, to the
17 greatest extent practicable, for contributions to the
18 Savings Fund which do not exceed the proper
19 amount.

20 **“SEC. 255. TIER I INVESTMENT FUND.**

21 “(a) ESTABLISHMENT OF TIER I INVESTMENT
22 FUND.—

23 “(1) IN GENERAL.—The Savings Fund shall in-
24 clude a separate fund to be known as the ‘Tier I In-
25 vestment Fund’.

1 “(2) AMOUNTS IN FUND.—The Tier I Invest-
2 ment Fund consists of all amounts derived from con-
3 tributions made to the Fund under section 254 and
4 remaining after investment of such amounts under
5 subsection (b), including additional amounts derived
6 as income from such investments.

7 “(3) SEPARATE CREDITING TO PERSONAL SO-
8 CIAL SECURITY SAVINGS ACCOUNTS.—

9 “(A) IN GENERAL.—Subject to this sub-
10 section, the Board shall provide for prompt,
11 separate crediting of the amounts deposited in
12 the Tier I Investment Fund to the personal so-
13 cial security savings account of each participant
14 to the extent such amount consists of contribu-
15 tions made to the Savings Fund under section
16 254 with respect to such participant, together
17 with any increases or decreases therein so as to
18 reflect the net returns and losses from invest-
19 ment thereof while held in the Fund.

20 “(B) TREATMENT OF MARRIED PARTICI-
21 PANTS.—If the participant is married as of the
22 end of the calendar year in which the amounts
23 to be credited were deposited in the Tier I In-
24 vestment Fund and the spouse is also a partici-
25 pant, the personal social security savings ac-

1 count of the participant and the personal social
2 security savings account of his or her spouse
3 shall each be credited with 50 percent of such
4 amounts.

5 “(4) USE OF FUNDS.—The amounts held in the
6 Fund are appropriated and shall remain available
7 without fiscal year limitation—

8 “(A) to be held for investment under sub-
9 section (b),

10 “(B) to pay the administrative expenses re-
11 lated to the Fund, and

12 “(C) to make transfers to Tier II Invest-
13 ment Options under section 256 or to make
14 payments under section 257.

15 “(b) INVESTMENT GUIDELINES.—

16 “(1) IN GENERAL.—For purposes of investment
17 of amounts credited to each personal social security
18 savings account, the Board shall provide by regula-
19 tion for 3 investment options. Such options shall
20 consist of the 90/10 investment option, the 70/30 in-
21 vestment option, the 50/50 investment option, and
22 the lifecycle investment option.

23 “(2) ALTERNATIVE INVESTMENT OPTIONS.—

24 “(A) THE 90/10 INVESTMENT OPTION.—

25 Under the 90/10 investment option, amounts

1 credited to the participant's personal social se-
2 curity savings account are held in the Tier I In-
3 vestment Fund so as to ensure, to the max-
4 imum extent practicable, that, of the total bal-
5 ance credited to the account and available for
6 investment (after allowing for administrative
7 expenses)—

8 “(i) 90 percent is invested in common
9 stock as provided in paragraph (4), and

10 “(ii) 10 percent is invested in fixed in-
11 come securities as provided in paragraph
12 (5).

13 For such purpose, certified account managers
14 shall offer the participant a choice of one or
15 more portfolios of each such type of investment.

16 “(B) THE 70/30 INVESTMENT OPTION.—
17 Under the 70/30 investment option, amounts
18 credited to the participant's personal social se-
19 curity savings account are held in the Tier I In-
20 vestment Fund so as to ensure, to the max-
21 imum extent practicable, that, of the total bal-
22 ance credited to the account and available for
23 investment (after allowing for administrative
24 expenses)—

1 “(i) 70 percent is invested in common
2 stock as provided in paragraph (4), and

3 “(ii) 30 percent is invested in fixed in-
4 come securities as provided in paragraph
5 (5).

6 For such purpose, certified account managers
7 shall offer the participant a choice of one or
8 more portfolios of each such type of investment.

9 “(C) THE 50/50 INVESTMENT OPTION.—
10 Under the 50/50 investment option, amounts
11 credited to the participant’s personal social se-
12 curity savings account are held in the Tier I In-
13 vestment Fund so as to ensure, to the max-
14 imum extent practicable, that, of the total bal-
15 ance credited to the account and available for
16 investment (after allowing for administrative
17 expenses)—

18 “(i) 50 percent is invested in common
19 stock as provided in paragraph (4), and

20 “(ii) 50 percent is invested in fixed in-
21 come securities as provided in paragraph
22 (5).

23 For such purpose, certified account managers
24 shall offer the participant a choice of one or
25 more portfolios of each such type of investment.

1 “(D) LIFECYCLE INVESTMENT OPTION.—

2 “(i) IN GENERAL.—Under the
3 lifecycle investment option, amounts cred-
4 ited to the participant’s personal social se-
5 curity savings account are held in the Tier
6 I Investment Fund so as to ensure, to the
7 maximum extent practicable, that the total
8 balance credited to the account and avail-
9 able for investment (after allowing for ad-
10 ministrative expenses) shall be invested
11 over time, under regulations which shall be
12 prescribed by the Board, in a mix of com-
13 mon stock and fixed income securities ac-
14 cording to the each of the investment op-
15 tions described in subparagraphs (A), (B),
16 and (C) so as to ensure, to the maximum
17 extent practicable, that the percentage in-
18 vested in fixed income securities by individ-
19 uals in designated cohorts, ranging in age
20 up to those of at least retirement age, will
21 increase from 10 percent to 50 percent as
22 the cohort approaches retirement age.

23 “(ii) DEFAULT OPTION.—Except as
24 provided in an election under paragraph
25 (3), amounts credited to the participant’s

1 personal social security savings account
2 and held in the Tier I Investment Fund
3 shall be invested as provided in clause (i).

4 “(3) ELECTIONS AMONG INVESTMENT OP-
5 TIONS.—Pursuant to any individual’s election filed
6 in accordance with regulations of the Board during
7 annual open seasons specified in such regulations,
8 the Executive Director shall, in accordance with
9 such regulations, provide for disinvestment and rein-
10 vestment of amounts credited to the participant’s
11 personal social security savings account and held in
12 the Tier I Investment Fund under any of the invest-
13 ment options described in paragraph (2) so as to
14 provide for investment of amounts credited to the
15 account in any of the other such investment options
16 specified in such election.

17 “(4) COMMON STOCK INDEX REQUIREMENTS.—
18 The Board shall establish by regulation standards
19 which must be met by any portfolio of common stock
20 selected for investment as provided in subparagraph
21 (A)(i), (B)(i), (C)(i), or (D) of paragraph (2).
22 Amounts invested in common stock under an invest-
23 ment option shall be held in a portfolio designed to
24 replicate the performance of one or more of indices
25 comprised of common stock the aggregate market

1 value of which is, in each case, a reasonably broad
2 representation of publicly held companies whose
3 shares are traded on the equity markets.

4 “(5) FIXED INCOME SECURITIES REQUIRE-
5 MENTS.—The Board shall establish by regulation
6 standards which must be met by fixed income securi-
7 ties selected for investment as provided in subpara-
8 graph (A)(ii), (B)(ii), (C)(ii), or (D) of paragraph
9 (2). The amounts invested in fixed income securities
10 shall be held in a portfolio which shall consist of a
11 diverse range of high-grade corporate bonds, taking
12 into full account the opposing considerations of risk
13 and maximization of return.

14 “(c) ANNUAL DESCRIPTION OF TIER I INVESTMENT
15 OPTIONS AND DISCLOSURE OF ADMINISTRATIVE
16 COSTS.—The Board shall provide annually to each partici-
17 pant—

18 “(1) a description of the investment options
19 available with respect to amounts held in the Tier I
20 Investment Fund and the procedures for selecting
21 such options; and

22 “(2) a disclosure of the rate of administrative
23 costs chargeable with respect to each investment op-
24 tion.

1 Descriptions and disclosures required under this sub-
2 section shall be written in a manner calculated to be un-
3 derstood by the average participant.

4 “(d) TREATMENT OF AMOUNTS HELD IN TIER I IN-
5 VESTMENT FUND.—Subject to this part, amounts depos-
6 ited into, and held and accounted for in, the Tier I Invest-
7 ment Fund with respect to any participant shall be treated
8 as property of such participant, held in trust for such par-
9 ticipant in the Fund.

10 **“SEC. 256. TIER II INVESTMENT OPTIONS.**

11 “(a) ELECTION OF TIER II INVESTMENT OPTIONS.—

12 “(1) IN GENERAL.—A participant may elect to
13 direct transfers from amounts in the Savings Fund
14 credited to the personal social security savings ac-
15 count of such individual into 1 or more Tier II In-
16 vestment Options in accordance with paragraph (2).

17 “(2) COMMENCEMENT OF TIER II INVESTMENT
18 OPTIONS UPON ATTAINMENT OF ELECTION THRESH-
19 OLD.—In any case in which, as of the end of any
20 calendar year, the total balance in the Savings Fund
21 credited to a participant’s personal social security
22 savings account exceeds for the first time the elec-
23 tion threshold, the Board shall, by regulation, pro-
24 vide for an opportunity for such participant to make,
25 at any time thereafter, such individual’s first elec-

1 tion of one or more of the Tier II Investment Op-
2 tions for investment of an amount in the Savings
3 Fund credited to such account. Such election may be
4 in lieu of or in addition to investment in the options
5 available with respect to the Tier I Investment Fund
6 of the Savings Fund.

7 “(3) ALLOCATION OF FUNDS.—In the case of
8 an election under paragraph (1), funds credited to
9 the personal social security savings account of the
10 participant and elected for transfer to one or more
11 Tier II Investment Options shall be transferred to
12 the Tier II Investment Options so elected for such
13 calendar year, in percentages specified in the elec-
14 tion by the participant for each Tier II Investment
15 Option.

16 “(4) ELECTION THRESHOLD.—

17 “(A) IN GENERAL.—Subject to subpara-
18 graph (B), for purposes of this subsection the
19 term ‘election threshold’ means an amount
20 equal to \$25,000.

21 “(B) ADJUSTMENTS.—The Board shall ad-
22 just annually (effective for annual reporting
23 months occurring after December 2012) the
24 dollar amount set forth in subparagraph (A)
25 under procedures providing for adjustments in

1 the same manner and to the same extent as ad-
2 justments are provided for under the proce-
3 dures used to adjust benefit amounts under sec-
4 tion 215(i)(2)(A), except that any amount so
5 adjusted that is not a multiple of \$1.00 shall be
6 rounded to the nearest multiple of \$1.00.

7 “(5) SUBSEQUENT INVESTMENT OF AMOUNTS
8 HELD IN TIER II INVESTMENT OPTIONS.—Any
9 amounts held in one or more Tier II Investment Op-
10 tions may be—

11 “(A) transferred at any time to one or
12 more other Tier II Investment Options offered
13 by the same or different eligible entities, subject
14 to applicable regulations of the Board and the
15 terms governing the affected Tier II Investment
16 Options, and

17 “(B) transferred, not more frequently than
18 annually, to the Tier I Investment Fund, for
19 deposit in the applicable investment account
20 then selected by the participant under section
21 255.

22 “(b) CERTIFICATION OF ELIGIBLE ENTITIES.—

23 “(1) IN GENERAL.—The Board shall certify eli-
24 gible entities to offer Tier II Investment Options
25 under this part.

1 “(2) APPLICATION.—Any eligible entity that de-
2 sires to be certified by the Board to offer a Tier II
3 Investment Option shall submit an application to the
4 Board at such time, in such manner, and containing
5 such information as the Board may require.

6 “(3) REQUIREMENTS FOR APPROVAL.—The
7 Board shall not certify an eligible entity unless such
8 eligible entity agrees to the following requirements:

9 “(A) RECORDKEEPING.—Each eligible en-
10 tity shall, with respect to each Tier II Invest-
11 ment Option offered by such eligible entity to
12 participants, comply with standards which shall
13 be prescribed by the Board to maintain accu-
14 rate crediting of the interest of each participant
15 in the Option to that participant’s personal so-
16 cial security savings account.

17 “(B) TREATMENT OF AMOUNTS HELD IN
18 FUND.—Amounts deposited into, and held and
19 accounted for in, a Tier II Investment Option
20 with respect to any participant shall be treated
21 as property of such participant, held in trust
22 for such participant.

23 “(C) TRUST REQUIREMENTS.—Amounts
24 held and accounted for with respect to a partici-
25 pant shall be held in a trust created or orga-

1 nized in the United States for the exclusive ben-
2 efit of such participant or his or her bene-
3 ficiaries.

4 “(D) EXEMPTION FROM THIRD PARTY
5 CLAIMS.—Each Tier II Investment Option shall
6 be exempt from any and all third party claims
7 against the eligible entity.

8 “(E) DISCLOSURE OF ADMINISTRATIVE
9 COSTS.—Each eligible entity offering a Tier II
10 Investment Option under this section shall pro-
11 vide to each participant an annual disclosure of
12 the rate of administrative costs chargeable with
13 respect to investment in such Option. Such dis-
14 closure shall be written in a manner calculated
15 to be understood by the average participant.
16 The Board shall provide for coordination of dis-
17 closures with respect to Tier II Investment Op-
18 tions under this subparagraph so as to assist
19 participants in comparing alternative Options
20 based on administrative costs.

21 “(F) ANNUAL DESCRIPTION OF TIER II IN-
22 VESTMENT OPTIONS AND DISCLOSURE OF AD-
23 MINISTRATIVE COSTS.—

24 “(i) DISCLOSURES TO THE BOARD.—
25 Each eligible entity offering a Tier II In-

1 vestment Option under this section shall,
2 in accordance with regulations of the
3 Board, provide to the Board an annual dis-
4 closure of the Tier II Investment Options
5 then currently available with respect to
6 amounts credited to personal social secu-
7 rity savings accounts under this part, the
8 procedures in effect in the case of such eli-
9 gible entity for selecting such Options, and
10 the rate of administrative costs chargeable
11 with respect to investment in each such
12 Option.

13 “(ii) ANNUAL NOTICES TO PARTICI-
14 PANTS.—The Board shall provide annually
15 to each participant a notice setting forth—

16 “(I) a description of the Tier II
17 Investment Options available with re-
18 spect to amounts credited to the par-
19 ticipant’s personal social security sav-
20 ings account and the procedures for
21 selecting such Options; and

22 “(II) a disclosure of the rate of
23 administrative costs chargeable with
24 respect to each such Option.

1 Descriptions and disclosures required
2 under this clause shall be written in a
3 manner calculated to be understood by the
4 average participant.

5 “(G) REPORTING TO THE EXECUTIVE DI-
6 RECTOR AND THE BOARD.—Each eligible entity
7 shall provide reports to the Executive Director
8 and the Board at such time, in such manner,
9 and containing such information as the Board
10 may require.

11 “(4) ELIGIBLE ENTITY DEFINED.—For pur-
12 poses of this section, the term ‘eligible entity’ means
13 any investment company (as defined in section 3 of
14 the Investment Company Act of 1940) or other per-
15 son that the Board determines appropriate to offer
16 Tier II Investment Options under this part.

17 “(c) TIER II INVESTMENT OPTIONS.—

18 “(1) IN GENERAL.—For purposes of investment
19 of amounts credited to each personal social security
20 savings account, the Board shall provide by regula-
21 tion for investment in any of 3 alternative Tier II
22 Investment Options which may be offered by any eli-
23 gible entity. Any such option shall consist of a less
24 conservative investment option, a moderate invest-

1 ment option, or a more conservative investment op-
2 tion.

3 “(2) ALTERNATIVE TIER II INVESTMENT OP-
4 TIONS.—

5 “(A) LESS CONSERVATIVE INVESTMENT
6 OPTIONS.—Under a less conservative invest-
7 ment option, amounts credited to the partici-
8 pant’s personal social security savings account
9 are held by the eligible entity so as to ensure,
10 to the maximum extent practicable, that, of the
11 total balance credited to the account and avail-
12 able for investment (after allowing for adminis-
13 trative expenses)—

14 “(i) at least 85 percent but not more
15 than 95 percent is invested in common
16 stock, and

17 “(ii) the remainder is invested in fixed
18 income securities.

19 For such purpose, the eligible entity shall offer
20 the participant a choice of one or more port-
21 folios of each such type of investment.

22 “(B) MODERATE INVESTMENT OPTIONS.—
23 Under a moderate investment option, amounts
24 credited to the participant’s personal social se-
25 curity savings account are held by the eligible

1 entity so as to ensure, to the maximum extent
2 practicable, that, of the total balance credited
3 to the account and available for investment
4 (after allowing for administrative expenses)—

5 “(i) at least 65 percent but less than
6 75 percent is invested in common stock,
7 and

8 “(ii) the remainder is invested in fixed
9 income securities.

10 For such purpose, the eligible entity shall offer
11 the participant a choice of one or more port-
12 folios of each such type of investment.

13 “(C) MORE CONSERVATIVE INVESTMENT
14 OPTIONS.—Under a more conservative invest-
15 ment option, amounts credited to the partici-
16 pant’s personal social security savings account
17 are held by the eligible entity so as to ensure,
18 to the maximum extent practicable, that, of the
19 total balance credited to the account and avail-
20 able for investment (after allowing for adminis-
21 trative expenses)—

22 “(i) at least 45 percent but less than
23 55 percent is invested in common stock,
24 and

1 “(ii) the remainder is invested in fixed
2 income securities.

3 For such purpose, the eligible entity shall offer
4 the participant a choice of one or more port-
5 folios of each such type of investment.

6 “(3) ELECTIONS AMONG INVESTMENT OP-
7 TIONS.—Pursuant to the participant’s election filed
8 in accordance with regulations of the Board, and
9 subject to the terms of the investment options de-
10 scribed in paragraph (2) offered to the participant
11 by the eligible entity and approved by the Board, the
12 eligible entity offering any such investment option
13 shall, in accordance with such regulations, provide
14 for disinvestment and reinvestment of amounts cred-
15 ited to the participant’s personal social security sav-
16 ings account and held by the eligible entity in such
17 investment option so as to provide for investment of
18 amounts credited to the account in any of the other
19 such investment options specified in such election.

20 “(d) APPROVAL OF TIER II INVESTMENT OP-
21 TIONS.—

22 “(1) IN GENERAL.—No funds may be trans-
23 ferred into a Tier II Investment Option unless the
24 Board has approved an application submitted under
25 paragraph (2) with respect to the option.

1 “(2) APPLICATION.—With respect to each Tier
2 II Investment Option that an eligible entity certified
3 under subsection (b)(1) seeks to offer, such entity
4 shall submit an application to the Board at such
5 time, in such manner, and containing such informa-
6 tion as the Board may require.

7 “(3) QUALIFICATIONS FOR APPROVAL.—The
8 Board may not approve an application submitted
9 under paragraph (2) in connection with a Tier II In-
10 vestment Option unless the following requirements
11 are met:

12 “(A) OPTION MUST BE OFFERED BY CER-
13 TIFIED ELIGIBLE ENTITY.—The Tier II Invest-
14 ment Option is offered by an eligible entity cer-
15 tified under subsection (b).

16 “(B) OPTION MUST MEET QUALITY FAC-
17 TORS.—

18 “(i) IN GENERAL.—The Tier II In-
19 vestment Option meets qualifications which
20 shall be prescribed by the Board relating
21 to the quality factors described in clause
22 (ii).

23 “(ii) QUALITY FACTORS.—The quality
24 factors described in this clause are—

1 “(I) the safety and soundness of
2 the Tier II Investment Option’s pro-
3 posed investment policy;

4 “(II) the experience and record
5 of performance of the proposed Op-
6 tion, if any;

7 “(III) the experience and record
8 of performance of the entity issuing or
9 offering such Option; and

10 “(IV) such other factors as the
11 Board may determine appropriate.

12 “(e) CONSIDERATIONS FOR CERTIFICATION AND AP-
13 PROVAL.—In determining whether to certify an eligible en-
14 tity under subsection (b) or to approve a Tier II Invest-
15 ment Option under subsection (d), the Board shall—

16 “(1) act in the best interests of the partici-
17 pants;

18 “(2) base its determination solely on consider-
19 ations of balancing safety and soundness of the Tier
20 II Investment Option with the maximization of re-
21 turns of such option;

22 “(3) give equal consideration to options offered
23 by variously-sized banks (as defined in section 581
24 of the Internal Revenue Code of 1986) or insured
25 credit unions (within the meaning of section 101(7)

1 of the Federal Credit Union Act, 12 U.S.C.
2 1752(7)) located in the United States; and

3 “(4) not base any determination related to the
4 entity or option on political or other extraneous con-
5 siderations.

6 “(f) SPONSORSHIP OF TIER II INVESTMENT OPTIONS
7 BY MEMBERSHIP AND LABOR ORGANIZATIONS.—

8 “(1) IN GENERAL.—A membership or labor or-
9 ganization (as defined by the Board) may sponsor
10 Tier II Investment Options under contracts with eli-
11 gible entities certified under subsection (b) who shall
12 administer the investment option if such investment
13 option is approved by the Board under subsection
14 (c).

15 “(2) LIMITATION TO MEMBERSHIP.—A mem-
16 bership or labor organization (as so defined) may
17 limit to the members of such organization participa-
18 tion in a Tier II Investment Option sponsored by
19 such organization.

20 “(g) DISTRIBUTIONS IN CASE OF DEATH.—Upon the
21 death of a participant, the amount of any assets held
22 under a Tier II Investment Option credited to the personal
23 social security savings account of such individual shall be
24 distributed in accordance with section 257(e).

1 **“SEC. 257. PERSONAL SOCIAL SECURITY SAVINGS ANNUITY**
2 **AND OTHER DISTRIBUTIONS.**

3 “(a) DATE OF INITIAL DISTRIBUTION.—Except as
4 provided in subsection (e), distributions may be made to
5 a participant from amounts credited to the personal social
6 security savings account of such individual only on or after
7 the date the participant attains retirement age (as defined
8 in section 216(l)(1)) or, if elected by the participant, the
9 early retirement age (as defined in section 216(l)(2)) ap-
10 plicable for old-age insurance benefits.

11 “(b) PERSONAL SOCIAL SECURITY SAVINGS ANNU-
12 ITIES.—

13 “(1) NOTICE OF AVAILABLE ANNUITIES.—Not
14 later than the date determined under subsection (a),
15 the Board shall notify each participant of—

16 “(A) the most recent listing of personal so-
17 cial security savings annuities offered by the
18 Annuity Issuance Authority under paragraph
19 (2); and

20 “(B) the entitlement of the participant to
21 purchase such an annuity.

22 “(2) ANNUITY ISSUANCE AUTHORITY.—There is
23 established in the office of the Board an agency
24 which shall be known as the ‘Annuity Issuance Au-
25 thority’. The Authority shall provide, in accordance
26 with regulations of the Board, for the issuance of

1 personal social security savings annuities for pur-
2 chase from the Authority under this section and to
3 otherwise administer the issuance of such annuities
4 in accordance with such regulations.

5 “(3) ANNUITY RESERVES ACCOUNT.—There is
6 established in the Savings Fund an Annuity Re-
7 serves Account. The Account shall consist of all
8 amounts received by the Authority from the pur-
9 chase of personal social security savings annuities
10 under this section (plus such amounts as may be
11 transferred to the Account under paragraph (5)(B)),
12 increased by the total net earnings from investments
13 of such reserves under subparagraph (A) of para-
14 graph (5) and reduced by the total net losses from
15 investments of such reserves under such subpara-
16 graph.

17 “(4) PURCHASE OF ANNUITIES.—

18 “(A) SELECTION OF ANNUITY.—On a date
19 elected by the participant, but no earlier than
20 the date determined under subsection (a), a
21 participant may purchase a personal social se-
22 curity savings annuity selected from among the
23 annuities offered by the Authority under para-
24 graph (2).

1 “(B) TRANSFER OF ASSETS.—Upon the
2 selection of an annuity by a participant under
3 subparagraph (A), the Board shall provide for
4 the transfer of assets, credited to the personal
5 social security savings account of the partici-
6 pant and held in the Tier I Investment Fund
7 or under 1 or more Tier II Investment Options
8 (or any combination thereof), in a total amount
9 sufficient to purchase the annuity selected by
10 the participant from annuities offered by the
11 Authority.

12 “(C) MINIMUM ANNUITY PAYMENT
13 AMOUNT.—

14 “(i) IN GENERAL.—Subject to sub-
15 paragraph (D), if, at the time a personal
16 social security savings annuity is pur-
17 chased under subparagraph (A), the assets
18 credited to the personal social security sav-
19 ings account of the participant are suffi-
20 cient to purchase a personal social security
21 savings annuity offered by the Authority
22 under paragraph (2) with a monthly annu-
23 ity payment that is at least equal to the
24 minimum annuity payment amount, the
25 amount of the monthly annuity payment

1 provided by such annuity may not be less
2 than the minimum annuity payment
3 amount.

4 “(ii) CONSTRUCTION.—Nothing in
5 this subparagraph shall be construed to
6 prohibit a participant from using personal
7 social security savings account assets to
8 purchase a personal social security savings
9 annuity offered by the Authority under
10 paragraph (2) which provides for a month-
11 ly payment in excess of the minimum
12 amount required under clause (i).

13 “(iii) MINIMUM ANNUITY PAYMENT
14 AMOUNT DEFINED.—For purposes of this
15 part, the term ‘minimum annuity payment
16 amount’ means, as of any date, an amount
17 equal to one-half of the old-age insurance
18 benefit under section 202(a) of a partici-
19 pant under part B and any other monthly
20 insurance benefit under such section based
21 on the participant’s wages and self-employ-
22 ment income (as determined before apply-
23 ing any reduction or deduction otherwise
24 applicable under this title and without re-
25 gard to subsection (z)).

1 “(iv) ASSUMPTIONS.—For purposes of
2 making actuarial determinations relating
3 to the amounts of annuities offered by the
4 Authority under this section and the
5 amounts necessary for the purchase of
6 such annuities, the Authority shall project
7 returns from the investment, in accordance
8 with paragraph (5)(A), of the reserves held
9 in the Annuities Reserves Account. The
10 projection by the Authority of such returns
11 shall be made under assumptions of long-
12 term average returns of equities and fixed
13 income instruments which shall be issued
14 annually by the Board of Trustees of the
15 Federal Old-Age and Survivors Insurance
16 Trust Fund and the Federal Disability In-
17 surance Trust Fund, based on analysis of
18 historical market returns.

19 “(D) PURCHASE OF ANNUITIES IN THE
20 EVENT OF INSUFFICIENT ASSETS.—If, as of the
21 date determined under subsection (a), the as-
22 sets credited to a participant’s personal social
23 security savings account are insufficient to pur-
24 chase a personal social security savings annuity
25 that provides for a monthly payment that is at

1 least equal to the minimum annuity payment
2 amount (as defined in paragraph (4)(C)(iii)),
3 the participant may purchase a personal social
4 security savings annuity with a monthly pay-
5 ment equal to the maximum amount that the
6 participant's personal social security savings ac-
7 count can fund, as determined in accordance
8 with regulations which shall be prescribed by
9 the Authority, and that otherwise meets the re-
10 quirements of this subsection (including the
11 cost-of-living protection requirement of sub-
12 section (c)(1)(C)).

13 “(5) INVESTMENT OF RESERVES FOR PAYMENT
14 OF ANNUITIES.—For purposes of investment of re-
15 serves held in the Annuity Reserves Account, the
16 Authority shall contract with appropriate investment
17 managers, recordkeepers, and custodians selected by
18 the Authority for investment of such reserves. Such
19 reserves shall be invested under regulations which
20 shall be prescribed by the Authority so as to ensure,
21 to the maximum extent practicable, that, of the total
22 balance of the reserves (after payment of adminis-
23 trative expenses to such managers, recordkeepers,
24 and custodians)—

1 “(A) 65 percent is invested in equities in
2 the same manner and under the same stand-
3 ards as are provided in section 255(b)(4), and

4 “(B) 35 percent is invested in fixed income
5 instruments in the same manner and under the
6 same standards as are provided in section
7 255(b)(5).

8 “(c) PERSONAL SOCIAL SECURITY SAVINGS ANNU-
9 ITY.—

10 “(1) IN GENERAL.—For purposes of this part,
11 the term ‘personal social security savings annuity’
12 means an annuity that meets the following require-
13 ments:

14 “(A) The annuity starting date (as defined
15 in section 72(c)(4) of the Internal Revenue
16 Code of 1986) commences on the first day of
17 the month beginning after the date of the pur-
18 chase of the annuity.

19 “(B) The terms of the annuity provide—

20 “(i) for a monthly payment to the
21 participant during the life of the partici-
22 pant equal to at least the minimum annu-
23 ity payment amount (as defined in sub-
24 section (b)(4)(C)(iii)), or

1 “(ii) in the case of an annuity pur-
2 chased under subparagraph (D) of sub-
3 section (b)(4), the maximum monthly pay-
4 ment determined under regulations pre-
5 scribed under such subparagraph.

6 “(C) The terms of the annuity include pro-
7 cedures providing for adjustments in the
8 amount of the monthly payments in the same
9 manner and to the same extent as adjustments
10 are provided for under the procedures used to
11 adjust benefit amounts under section
12 215(i)(2)(A). Nothing in this subparagraph
13 shall be construed to preclude the terms gov-
14 erning such an annuity from providing for ad-
15 justments in the amount of monthly payments
16 resulting in a payment for any month greater
17 than the payment for that month that would re-
18 sult from adjustments required under the pre-
19 ceding sentence.

20 “(D) The terms of the annuity include
21 such other terms and conditions as the Board
22 requires for the protection of the annuitant.

23 “(2) EXEMPTION FROM THIRD PARTY
24 CLAIMS.—Each personal social security savings an-

1 nuity shall be exempt from any and all third party
2 claims against the issuer.

3 “(d) RIGHT TO CASH OUT PERSONAL SOCIAL SECU-
4 RITY SAVINGS ACCOUNT ASSETS.—To the extent assets
5 credited to a participant’s personal social security savings
6 account are not used to purchase an annuity under sub-
7 section (b), the assets not so used shall be payable to the
8 participant at such time (in accordance with subsection
9 (a)), in such manner, and in such amounts as the partici-
10 pant may specify.

11 “(e) DISTRIBUTIONS IN CASE OF DEATH.—If the
12 participant dies before all amounts which are held in the
13 Tier I Investment Fund of the Savings Fund or held
14 under a Tier II Investment Option and which are credited
15 to the personal social security savings account of the indi-
16 vidual are otherwise distributed in accordance with this
17 section, such amounts shall be distributed, under regula-
18 tions which shall be prescribed by the Board—

19 “(1) in any case in which one or more bene-
20 ficiaries have been designated in advance, to such
21 beneficiaries in accordance with such designation as
22 provided in such regulations, and

23 “(2) in the case of any amount not distributed
24 as described in paragraph (1), to such individual’s
25 estate.

1 **“SEC. 258. GUARANTEE OF PROMISED SOCIAL SECURITY**
2 **BENEFITS.**

3 “(a) IN GENERAL.—In any case in which, for any
4 month ending after the date on which a participant attains
5 retirement age (as defined in section 216(l)(1))—

6 “(1) such participant’s assumed normal total
7 part A retirement benefit for such month, exceeds

8 “(2) the sum of—

9 “(A) the monthly payment which is pay-
10 able (or would be payable) for such month
11 under a personal social security savings annuity
12 with a monthly payment equal to the maximum
13 amount that the participant’s personal social
14 security savings account can fund (irrespective
15 of whether such an annuity is purchased and of
16 the amount of the monthly payment actually
17 payable under any personal social security sav-
18 ings annuity which is purchased), and

19 “(B) such participant’s assumed actual
20 total part A retirement benefit for such month,
21 the Secretary of the Treasury shall pay to such individual
22 for such month, from amounts in the general fund of the
23 Treasury (subject to section 6 of the Personal Social Secu-
24 rity Savings Guarantee and Prosperity Act of 2011), an
25 additional amount (if any) equal to the excess of the

1 amount described in paragraph (1) over the amount de-
2 scribed in paragraph (2).

3 “(b) DEFINITIONS.—For purposes of this section—

4 “(1) ASSUMED NORMAL TOTAL PART A RETIRE-
5 MENT BENEFIT.—The term ‘assumed normal total
6 retirement part A benefit’ means, in connection with
7 a participant, the total amount of the monthly insur-
8 ance benefits under section 202 based on such par-
9 ticipant’s wages and self-employment income that
10 would have been payable (as adjusted by taking into
11 account adjustments under section 215(i)) if—

12 “(A) section 202(z) did not apply, and

13 “(B) all the beneficiaries had applied for
14 such benefits during the month in which occurs
15 the date on which the participant attains retire-
16 ment age (as defined in section 216(l)(1)).

17 “(2) ASSUMED ACTUAL TOTAL PART A RETIRE-
18 MENT BENEFIT.—The term ‘assumed actual total
19 part A retirement benefit’ means, in connection with
20 a participant, the total amount of the monthly insur-
21 ance benefits under section 202 based on such par-
22 ticipant’s wages and self-employment income that
23 would have been payable (after applying section
24 202(z) and as adjusted by taking into account ad-
25 justments under section 215(i)) if all the bene-

1 ficiaries had applied for such benefits during the
2 month in which such participant attains retirement
3 age (as defined in section 216(l)(1)). For purposes
4 of this paragraph, any entitlement of an individual
5 to such benefits for which an application may have
6 been filed prior to such month shall be disregarded.

7 **“SEC. 259. PERSONAL SOCIAL SECURITY SAVINGS BOARD.**

8 “(a) ESTABLISHMENT.—There is established in the
9 executive branch of the Government a Personal Social Se-
10 curity Savings Board.

11 “(b) COMPOSITION.—The Board shall be composed
12 of—

13 “(1) 3 members appointed by the President, of
14 whom 1 shall be designated by the President as
15 Chairman; and

16 “(2) 2 members appointed by the President, of
17 whom—

18 “(A) 1 shall be appointed by the President
19 after taking into consideration the recommenda-
20 tion made by the Speaker of the House of Rep-
21 resentatives in consultation with the Minority
22 Leader of the House of Representatives; and

23 “(B) 1 shall be appointed by the President
24 after taking into consideration the recommenda-
25 tion made by the Majority Leader of the Senate

1 in consultation with the Minority Leader of the
2 Senate.

3 “(c) ADVICE AND CONSENT.—Appointments under
4 subsection (b) shall be made by and with the advice and
5 consent of the Senate.

6 “(d) MEMBERSHIP REQUIREMENTS.—Members of
7 the Board shall have substantial experience, training, and
8 expertise in the management of financial investments and
9 pension benefit plans.

10 “(e) LENGTH OF APPOINTMENTS.—

11 “(1) TERMS.—A member of the Board shall be
12 appointed for a term of 4 years, except that of the
13 members first appointed under subsection (b)—

14 “(A) the Chairman shall be appointed for
15 a term of 4 years;

16 “(B) the members appointed under sub-
17 section (b)(2) shall be appointed for terms of 3
18 years; and

19 “(C) the remaining members shall be ap-
20 pointed for terms of 2 years.

21 “(2) VACANCIES.—

22 “(A) IN GENERAL.—A vacancy on the
23 Board shall be filled in the manner in which the
24 original appointment was made and shall be

1 subject to any conditions that applied with re-
2 spect to the original appointment.

3 “(B) COMPLETION OF TERM.—An indi-
4 vidual chosen to fill a vacancy shall be ap-
5 pointed for the unexpired term of the member
6 replaced.

7 “(3) EXPIRATION.—The term of any member
8 shall not expire before the date on which the mem-
9 ber’s successor takes office.

10 “(f) DUTIES.—The Board shall—

11 “(1) administer the program established under
12 this part and issue regulations necessary for the ad-
13 ministration of such program;

14 “(2) establish policies for the investment and
15 management of the Savings Fund, including the
16 Tier I Investment Fund, and amounts held under
17 Tier II Investment Options, including policies appli-
18 cable to the asset managers, recordkeepers, and
19 custodians with responsibility for managing the in-
20 vestment of amounts credited to personal social se-
21 curity investment accounts, and for the management
22 and operation of personal social security savings an-
23 nualities, which shall provide for—

1 “(A) prudent investments suitable for ac-
2 cumulating funds for payment of retirement in-
3 come;

4 “(B) sound management practices; and

5 “(C) low administrative costs;

6 “(3) review the performance of investments
7 made for the Tier I Investment Fund;

8 “(4) review the performance of investments
9 made under Tier II Investment Options;

10 “(5) review the management and operation of
11 personal social security savings annuities;

12 “(6) review and approve the budget of the
13 Board; and

14 “(7) comply with the fiduciary requirements of
15 part 4 of subtitle B of title I of the Employee Re-
16 tirement Income Security Act of 1974 (relating to fi-
17 duciary responsibility) in connection with any exer-
18 cise of discretion in connection with the assets of the
19 Savings Fund.

20 “(g) ADMINISTRATIVE PROVISIONS.—

21 “(1) IN GENERAL.—The Board may—

22 “(A) adopt, alter, and use a seal;

23 “(B) except as provided in paragraph (4),
24 direct the Executive Director to take such ac-
25 tion as the Board considers appropriate to

1 carry out the provisions of this part and the
2 policies of the Board in accordance with delega-
3 tions under this part;

4 “(C) upon the concurring votes of 4 mem-
5 bers, remove the Executive Director from office
6 for good cause shown;

7 “(D) provide to the Executive Director
8 such resources as are necessary to carry out the
9 duties of the Executive Director; and

10 “(E) take such other actions as may be
11 necessary to carry out the functions of the
12 Board.

13 “(2) MEETINGS.—The Board shall meet—

14 “(A) not less than once during each
15 month; and

16 “(B) at additional times at the call of the
17 Chairman.

18 “(3) EXERCISE OF POWERS.—

19 “(A) IN GENERAL.—Except as provided in
20 paragraph (1)(C), the Board shall perform the
21 functions and exercise the powers of the Board
22 on a majority vote of a quorum of the Board.
23 Three members of the Board shall constitute a
24 quorum for the transaction of business.

1 “(B) VACANCIES.—A vacancy on the
2 Board shall not impair the authority of a
3 quorum of the Board to perform the functions
4 and exercise the powers of the Board.

5 “(4) LIMITATIONS ON INVESTMENTS.—The
6 Board may not direct any person—

7 “(A) to invest, or to cause to be invested,
8 in any specific asset any sums which are in the
9 Tier I Investment Fund or which are otherwise
10 credited to any personal social security invest-
11 ment account, or

12 “(B) to dispose of, or cause to be disposed
13 of, any specific asset of such Fund or any such
14 account.

15 “(h) COMPENSATION.—

16 “(1) IN GENERAL.—Each member of the Board
17 who is not an officer or employee of the Federal
18 Government shall be compensated at the daily rate
19 of basic pay for level IV of the Executive Schedule
20 for each day during which such member is engaged
21 in performing a function of the Board.

22 “(2) EXPENSES.—A member of the Board shall
23 be paid travel, per diem, and other necessary ex-
24 penses under subchapter I of chapter 57 of title 5,
25 United States Code, while traveling away from such

1 member's home or regular place of business in the
2 performance of the duties of the Board.

3 “(3) SOURCE OF FUNDS.—Payments authorized
4 under this subsection shall be paid from the Tier I
5 Investment Fund, as determined appropriate by the
6 Board.

7 “(i) DISCHARGE OF RESPONSIBILITIES.—The mem-
8 bers of the Board shall discharge their responsibilities
9 solely in the interest of the participants and their bene-
10 ficiaries under this part.

11 “(j) ANNUAL INDEPENDENT AUDIT.—The Board
12 shall annually engage an independent qualified public ac-
13 countant to audit the activities of the Board.

14 “(k) SUBMISSION OF BUDGET TO CONGRESS.—The
15 Board shall prepare and submit to the President, and, at
16 the same time, to the appropriate committees of Congress,
17 an annual budget of the expenses and other items relating
18 to the Board which shall be included as a separate item
19 in the budget required to be transmitted to Congress
20 under section 1105 of title 31, United States Code.

21 “(l) SUBMISSION OF LEGISLATIVE RECOMMENDA-
22 TIONS.—The Board may submit to the President, and, at
23 the same time, shall submit to each House of Congress,
24 any legislative recommendations of the Board relating to

1 any of its functions under this part or any other provision
2 of law.

3 **“SEC. 260. EXECUTIVE DIRECTOR.**

4 “(a) APPOINTMENT OF EXECUTIVE DIRECTOR.—The
5 Board shall appoint, without regard to the provisions of
6 law governing appointments in the competitive service, an
7 Executive Director by action agreed to by a majority of
8 the members of the Board.

9 “(b) DUTIES.—The Executive Director shall, as de-
10 termined appropriate by the Board—

11 “(1) carry out the policies established by the
12 Board;

13 “(2) invest and manage the Tier I Investment
14 Fund in accordance with the investment policies and
15 other policies established by the Board;

16 “(3) administer the provisions of this part re-
17 lating to the Tier I Investment Fund; and

18 “(4) prescribe such regulations (other than reg-
19 ulations relating to fiduciary responsibilities) as may
20 be necessary for the administration of this part re-
21 lating to the Tier I Investment Fund.

22 “(c) ADMINISTRATIVE AUTHORITY.—The Executive
23 Director may, within the scope of the duties of the Execu-
24 tive Director as determined by the Board—

1 “(1) appoint such personnel as may be nec-
2 essary to carry out the provisions of this part relat-
3 ing to the Tier I Investment Fund;

4 “(2) subject to approval by the Board, procure
5 the services of experts and consultants under section
6 3109 of title 5, United States Code;

7 “(3) secure directly from an Executive agency,
8 the United States Postal Service, or the Postal Rate
9 Commission any information necessary to carry out
10 the provisions of this part and the policies of the
11 Board relating to the Tier I Investment Fund;

12 “(4) make such payments out of sums in the
13 Tier I Investment Fund as the Executive Director
14 determines, in accordance with regulations of the
15 Board, are necessary to carry out the provisions of
16 this part and the policies of the Board;

17 “(5) pay the compensation, per diem, and travel
18 expenses of individuals appointed under paragraphs
19 (1), (2), and (6) from the Tier I Investment Fund,
20 in accordance with regulations of the Board;

21 “(6) accept and use the services of individuals
22 employed intermittently in the Government service
23 and reimburse such individuals for travel expenses,
24 authorized by section 5703 of title 5, United States

1 Code, including per diem as authorized by section
2 5702 of such title;

3 “(7) except as otherwise expressly prohibited by
4 law or the policies of the Board, delegate any of the
5 Executive Director’s functions to such employees
6 under the Board as the Executive Director may des-
7 ignate and authorize such successive redelegations of
8 such functions to such employees under the Board
9 as the Executive Director may consider to be nec-
10 essary or appropriate; and

11 “(8) take such other actions as are appropriate
12 to carry out the functions of the Executive Direc-
13 tor.”.

14 **SEC. 3. MONTHLY INSURANCE BENEFITS IN CONNECTION**
15 **WITH PARTICIPANTS IN THE PERSONAL SO-**
16 **CIAL SECURITY SAVINGS PROGRAM.**

17 Section 202 of the Social Security Act (42 U.S.C.
18 402) is amended by adding at the end the following new
19 subsection:

20 “Benefits in the Case of Participants Under Part B

21 “(z)(1) Notwithstanding any other provision of this
22 title, subject to paragraphs (2) and (3), the amount of
23 any old-age insurance benefit under subsection (a) of a
24 participant under part B and any other monthly insurance
25 benefit under this section based on the participant’s wages

1 and self-employment income (as determined before apply-
2 ing any reduction or deduction otherwise applicable under
3 this title) shall be reduced by a percentage equal to the
4 product derived by multiplying 50 percent by a fraction—

5 “(A) the numerator of which is the present
6 value of the total amount of the contributions made
7 with respect to the participant to the Personal Social
8 Security Savings Fund under section 254, and

9 “(B) the denominator of which is the present
10 value of the total amount of the contributions which
11 would have been made with respect to the partici-
12 pant to the Personal Social Security Savings Fund
13 under section 254 if contributions under section 254
14 had been made with respect to such participant for
15 all of such participant’s benefit computation years
16 (as defined in 215(b)(2)(B)(i)), determined—

17 “(i) as if the program established by this
18 part had been in effect as of the beginning of
19 such participant’s first benefit computation
20 year, and

21 “(ii) without regard to section 6 of the
22 Save Social Security Act.

23 “(2) Paragraph (1) shall not apply with respect to
24 child’s insurance benefits under subsection (d) or mother’s
25 or father’s insurance benefits under subsection (g).

1 “(3) In the case of old-age insurance benefits of an
2 individual who was entitled to disability insurance benefits
3 under section 223 for the month preceding the month in
4 which such individual attained retirement age (as defined
5 in section 216(l)), such benefit shall be subject to a reduc-
6 tion under this subsection, in lieu of the reduction other-
7 wise applicable under paragraph (1), equal to the product
8 derived by multiplying—

9 “(A) the amount of such reduction otherwise
10 applicable, by

11 “(B) a fraction—

12 “(i) the numerator of which is the number
13 of calendar years, ending after the participant
14 attained age 21 and beginning before the date
15 on which the participant attained age 61, dur-
16 ing each of which the participant was not enti-
17 tled to disability insurance benefits under sec-
18 tion 223 or was so entitled for fewer than 6
19 months, to

20 “(ii) 40.”.

21 **SEC. 4. TAX TREATMENT OF ACCOUNTS.**

22 (a) PERSONAL SOCIAL SECURITY SAVINGS PRO-
23 GRAM.—Subchapter F of chapter 1 of the Internal Rev-
24 enue Code of 1986 (relating to exempt organizations) is
25 amended by adding at the end the following new part:

1 **“PART IX—PERSONAL SOCIAL SECURITY**
2 **SAVINGS PROGRAM**

“Sec. 530A. Personal Social Security Savings Program

3 **“SEC. 530A. PERSONAL SOCIAL SECURITY SAVINGS PRO-**
4 **GRAM.**

5 “(a) GENERAL RULE.—The Personal Social Security
6 Savings Fund and each Tier II Investment Option are ex-
7 empt from taxation under this subtitle. Notwithstanding
8 the preceding sentence, sums in a personal social security
9 savings account which are attributable to a Tier II Option
10 shall be subject to the taxes imposed by section 511 (relat-
11 ing to imposition of tax on unrelated business income of
12 charitable, etc. organizations).

13 “(b) DISTRIBUTIONS TAXED AS SOCIAL SECURITY
14 BENEFITS.—See section 86 for tax treatment of distribu-
15 tions from personal social security savings accounts and
16 personal social security annuity as social security benefits.

17 “(c) ESTATE TAX TREATMENT.—No amount shall be
18 includible in the gross estate of any individual for pur-
19 poses of chapter 11 by reason of an interest in the Tier
20 I Investment Fund of the Personal Social Security Sav-
21 ings Fund or held under a Tier II Investment Option and
22 which is credited to the personal social security savings
23 account of the individual.

24 “(d) DEFINITIONS.—For purposes of this section—

1 “(1) PERSONAL SOCIAL SECURITY SAVINGS AC-
2 COUNT.—The term ‘personal social security savings
3 account’ means an account established under section
4 253(b) of the Social Security Act.

5 “(2) PERSONAL SOCIAL SECURITY SAVINGS AN-
6 NUITY.—The term ‘personal social security savings
7 annuity’ means an annuity purchased under section
8 257 of the Social Security Act.

9 “(3) PERSONAL SOCIAL SECURITY SAVINGS
10 FUND.—The term ‘Personal Social Security Savings
11 Fund’ means the Savings Fund established under
12 section 252 of the Social Security Act.

13 “(4) TIER I INVESTMENT FUND.—The term
14 ‘Tier I Investment Fund’ has the meaning given
15 such term by section 251(8) of the Social Security
16 Act.

17 “(5) TIER II INVESTMENT OPTION.—The term
18 ‘Tier II Investment Option’ has the meaning given
19 such term by section 251(9) of the Social Security
20 Act.”.

21 (b) ANNUITY AND GUARANTEE PAYMENTS.—Para-
22 graph (1) of section 86(d) of the Internal Revenue Code
23 of 1986 is amended to read as follows:

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘social security benefit’ means any
3 amount received by the taxpayer—

4 “(A) by reason of entitlement to—

5 “(i) a monthly benefit under title II of
6 the Social Security Act,

7 “(ii) a tier 1 railroad retirement ben-
8 efit, or

9 “(iii) a payment under section 258 of
10 the Social Security Act (relating to guar-
11 antee of promised Social Security benefits),
12 or

13 “(B) as a payment from a personal social
14 security savings account or a personal social se-
15 curity savings annuity under section 257 of the
16 Social Security Act.”.

17 (1) CLERICAL AMENDMENT.—The table of
18 parts for subchapter F of chapter 1 of such Code is
19 amended by adding after the item relating to part
20 VIII the following new item:

 “PART IX. PERSONAL SOCIAL SECURITY SAVINGS PROGRAM.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2011.

1 **SEC. 5. REIMBURSEMENT OF SPENDING REDUCTION AC-**
2 **COUNT FROM SAVINGS RESULTING FROM**
3 **PERSONAL SOCIAL SECURITY SAVINGS PRO-**
4 **GRAM.**

5 Section 201 of the Social Security Act (42 U.S.C.
6 401) is amended by adding at the end the following new
7 subsection:

8 “(o)(1) At the end of any reimbursement year, the
9 Managing Trustee shall transfer from the Federal Old-
10 Age and Survivors Insurance Trust Fund and the Federal
11 Disability Insurance Trust Fund (hereinafter in this sub-
12 section referred to as the ‘Trust Funds’) to the Spending
13 Reduction Account of the Treasury, in amounts deter-
14 mined appropriate by the Managing Trustee in relation
15 to each of the Trust Funds, such sums as are necessary
16 to reimburse the Spending Reduction Account an amount
17 equal to the reimbursement amount for such year.

18 “(2) For purposes of this subsection—

19 “(A) The term ‘reimbursement year’ means a
20 year for which, as estimated by the Managing Trust-
21 ee, there is a Savings Program excess balance in the
22 Trust Funds at the end of such year. In determining
23 the amount of any excess under this subparagraph,
24 the Managing Trustee shall disregard any excess in
25 the Trust Funds which would be attributable to the
26 operation of such Trust Funds if this Act had not

1 been enacted. The estimation made pursuant to this
2 subparagraph for a reimbursement year shall be
3 made not later than November 1 of such reimburse-
4 ment year.

5 “(B) The term ‘Savings Program excess bal-
6 ance’ for a year means an amount by which the total
7 balance in the Trust Funds at the end of such year
8 exceeds (before the application of this sub-
9 section)100 percent of the total amount of benefits
10 to be payable from the Trust Funds for the suc-
11 ceeding year. In determining the amount of any ex-
12 cess under this subparagraph, the Managing Trustee
13 shall treat as excess in the Trust Funds only the
14 amount by which the excess is greater than the
15 amount which would be the excess in the Trust
16 Funds if the Save Social Security Act had not been
17 enacted.

18 “(C) The term ‘reimbursement amount’ for a
19 reimbursement year means the lesser of—

20 “(i) the total amount of payments made
21 during such year and prior years from the
22 Spending Reduction Account of the Treasury
23 under sections 254 and 258 for which reim-
24 bursement has not been made under paragraph
25 (1), including interest at a rate equal to the

1 rate applicable from time to time for obligations
2 issued to the Trust Funds under subsection (d),
3 or

4 “(ii) the Savings Program excess balance
5 for the reimbursement year.

6 “(3) The total amount transferred under paragraph
7 (1) as the reimbursement amount for any reimbursement
8 year shall be available, until expended—

9 “(A) first, for reimbursement of the amount of
10 payments made under section 254 during the reim-
11 bursement year,

12 “(B) second, for reimbursement of the amount
13 of payments made under section 258 during the re-
14 imbursement year,

15 “(C) third, for reimbursement of any unreim-
16 bursed amount of payments made under section 254
17 during prior years, together with interest accrued on
18 such amount, and

19 “(D) finally, for reimbursement of any unreim-
20 bursed amount of payments made under section 258
21 during prior years, together with interest accrued on
22 such amount.”.

1 **SEC. 6. FUNDING OF PERSONAL SOCIAL SECURITY SAVINGS**
2 **PROGRAM FROM CREDITS FOR REDUCTIONS**
3 **IN FEDERAL SPENDING.**

4 (a) SPENDING REDUCTION ACCOUNT.—There is es-
5 tablished in the Treasury of the United States a Personal
6 Social Security Savings Program Spending Reduction Ac-
7 count (hereafter in this section referred to as the “Spending
8 Reduction Account”).

9 (b) EXPENDITURES FROM GENERAL FUND OF
10 TREASURY LIMITED TO AMOUNTS CREDITED TO SPENDING
11 REDUCTION ACCOUNT.—

12 (1) IN GENERAL.—Amounts which, but for this
13 section, would otherwise be payable from the general
14 fund of the Treasury to carry out section 254(a)(2)
15 and 258(a) of the Social Security Act (as added by
16 this Act) shall be payable only from the Spending
17 Reduction Account and only to the extent of the
18 available balance in such Account, as provided in
19 this section.

20 (2) CREDITING TO SPENDING REDUCTION AC-
21 COUNT OF AMOUNTS SAVED FROM PROGRAM REDUC-
22 TIONS.—

23 (A) IN GENERAL.—From time to time dur-
24 ing each fiscal year, the Secretary of the Treas-
25 ury shall credit to the Spending Reduction Ac-
26 count the amount of savings to the Treasury

1 for such fiscal year derived (as determined by
2 such Secretary in consultation with the Director
3 of Office of Management and Budget) from leg-
4 islation providing for the reduction or termi-
5 nation of Federal programs which were in effect
6 on the date of the enactment of this Act. To the
7 extent that any such legislation provides for
8 savings with respect to multiple fiscal years, the
9 Secretary of the Treasury shall provide for
10 crediting to the Spending Reduction Account
11 for each such fiscal year of the amount of sav-
12 ings properly attributable to such fiscal year
13 pursuant to such legislation.

14 (B) ANNUAL REPORT OF AMOUNTS IN
15 FUND NECESSARY FOR FULL FUNDING OF PAY-
16 MENTS.—Not later than April 15 preceding
17 each fiscal year beginning on or after October
18 1, 2012, the Director of the Office of Manage-
19 ment and Budget—

20 (i) shall, in consultation with the Per-
21 sonal Social Security Savings Board, re-
22 port to each House of the Congress the
23 amount determined by the Board, based on
24 reasonable projections, as necessary to pro-
25 vide for timely payment in full of amounts

1 otherwise payable, but for this section,
2 from the Spending Reduction Account for
3 such fiscal year, and

4 (ii) shall include in such report rec-
5 ommendations for reductions or termi-
6 nations of Federal programs in effect on
7 the date of the enactment of this Act nec-
8 essary to provide for savings sufficient to
9 provide for crediting of funds to the
10 Spending Reduction Account sufficient to
11 provide for payments under sections
12 254(a)(2) and 258(a) of the Social Secu-
13 rity Act.

14 (3) REDUCTION IN PAYMENTS AS NECESSARY
15 COMMENSURATE WITH EXTENT OF REDUCTIONS IN
16 OTHER PROGRAMS.—

17 (A) IN GENERAL.—The total amount pay-
18 able under sections 254(a)(2) and 258(a) of the
19 Social Security Act for any fiscal year shall be
20 payable only to the extent of the total amount
21 that the Director of the Office of Management
22 and Budget determines, based on reasonable
23 projections made in advance of such fiscal year
24 and reported pursuant to subparagraph (B),
25 will be credited to the Spending Reduction Ac-

1 count for such fiscal year pursuant to para-
2 graph (2) (plus any amounts remaining for ex-
3 penditure pursuant to subparagraph (D)).

4 (B) ANNUAL REPORT OF OMB REGARDING
5 SUFFICIENCY OF FUND.—The Director shall set
6 forth the determination made under subpara-
7 graph (A) with respect to each fiscal year in a
8 report to each House of the Congress not later
9 than September 1 preceding such fiscal year,
10 based on legislation enacted prior to such date.

11 (C) PRO RATA REDUCTIONS IN CASE OF
12 INSUFFICIENCY.—In any case in which the de-
13 termination made under subparagraph (A) for
14 any fiscal year indicates, as determined by the
15 Director, a projected insufficiency for such fis-
16 cal year in the balance of the Spending Reduc-
17 tion Account to make all payments from the
18 Spending Reduction Account during such fiscal
19 year in full when otherwise due, such payments
20 shall be reduced on a pro rata basis in relation
21 to the projected amounts available from time to
22 time in the Spending Reduction Account for
23 such payments during the fiscal year.

24 (D) RESTORATION OF REDUCED PAY-
25 MENTS.—In any case in which, as of the end of

1 any fiscal year, a balance remains in the Spend-
2 ing Reduction Account after payment in full
3 when due of all payments payable during such
4 fiscal year, additional payments shall be made
5 from such balance so as to restore, to the max-
6 imum extent practicable, payments which were
7 made in prior fiscal years in reduced amounts
8 pursuant to this subparagraph to amounts con-
9 stituting payment in full of such payments.

10 (E) CARRYOVER OF ACCOUNT BAL-
11 ANCES.—Amounts credited to the Spending Re-
12 duction Account for a fiscal year which are not
13 expended as of the end of such fiscal year shall
14 remain available for expenditure in subsequent
15 fiscal years until expended.

16 (4) LIMITATIONS.—

17 (A) Savings for any fiscal year may only be
18 taken into account under paragraph (2) once.

19 (B) Savings taken into account under
20 paragraph (2) may not be taken into account
21 for the purposes of any other spending reduc-
22 tion account.

23 (C) Notwithstanding any other provision of
24 law, no provision of any amendment made by
25 this title may be carried out except to the ex-

1 tent that funds for such provision are provided
2 for such purpose from the Spending Reduction
3 Account. The Secretary of the Treasury shall
4 make such additional pro rata reductions in
5 payments for any fiscal year to the extent nec-
6 essary for compliance with the preceding sen-
7 tence.

8 (5) LOCKBOX.—

9 (A) GENERAL RULE.—Savings credited
10 under paragraph (2) to the Spending Reduction
11 Account may not be transferred or spent for
12 any purpose other than to carry out the provi-
13 sions of this Act and the amendments made
14 thereby.

15 (B) ENFORCEMENT.—If any amount is
16 transferred or spent in violation of subpara-
17 graph (A), no amount may be transferred to
18 the Savings Reduction Account on and after the
19 date of such violation. The determination of
20 whether an amount is transferred or spent in
21 violation of subparagraph (A) shall be made ir-
22 respective of whether such provision of law is a
23 subsequently enacted provision or directly or in-
24 directly seeks to waive the application of this
25 paragraph.

1 **SEC. 7. INTERIM FINANCING OF THE SOCIAL SECURITY**
2 **TRUST FUNDS.**

3 Subsection (l) of section 201 of the Social Security
4 Act (42 U.S.C. 401(l)) is amended to read as follows:

5 “(l)(1) If at any time on or after January 1, 2012,
6 the Managing Trustee determines that borrowing author-
7 ized under this subsection is necessary in order to ensure
8 that sufficient assets are available in the Federal Old-Age
9 and Survivors Insurance Trust Fund or the Federal Dis-
10 ability Insurance Trust Fund to provide for timely pay-
11 ment in full of benefits from such Trust Fund, the Man-
12 aging Trustee may borrow such amounts as the Managing
13 Trustee determines to be appropriate from the general
14 fund of the Treasury for transfer to and deposit in such
15 Trust Fund.

16 “(2) If in any month after a loan has been made to
17 either Trust Fund under paragraph (1), the Managing
18 Trustee determines that the assets of such Trust Fund
19 are sufficient to permit repayment of all or part of any
20 loans made to such Trust Fund under paragraph (1), the
21 Managing Trustee shall make such repayments as the
22 Managing Trustee determines to be appropriate to provide
23 for prompt repayment of the loans, together with accumu-
24 lated interest. Interest shall accumulate on the unpaid bal-
25 ance of the loan at a rate equal to the rate applicable on

1 the date of the loan for obligations issued to the Trust
2 Fund under subsection (d).
3 “(3) The Board of Trustees shall make a timely re-
4 port to the Congress of any amounts transferred under
5 this subsection.”.